LOUISVILLE THE CW

October 23, 2006

Via Electronic Comment Filing System

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Room TW-A325
Washington, DC 20554

Re: Multiple Ownership Further Notice of Proposed Rule Making
MB Docket Nos. 06-121, 02-277
MM Docket Nos. 01-235, 01-317, 00-244

Dear Ms. Dortch:

On behalf of Cascade Broadcasting Group, L.L.C. ("Cascade"), I am writing to urge the Commission to relax local television ownership restrictions in markets below the top 25. Cascade is the sole member of Louisville Communications, LLC, licensee of WBKI-TV, Campbellsville, Kentucky, and of Tucson Communications, L.L.C., licensee of KWBA(TV), Sierra Vista, Arizona.

In 1999 and 2000, after several years of preparatory work, our privately-held company completed the construction of three television stations in midsize markets, WBKI-TV in the Louisville, Kentucky market (#50), KWBA(TV) in the Tucson, Arizona market (#71), and KQCW(TV) (then KWBT(TV)), Muskogee, Oklahoma in the Tulsa, Oklahoma market (#61), which Cascade sold in 2005. We fought for and achieved WB network affiliations (now the CW network) in markets where the primary network affiliates were long established. Then we launched – with high hopes, good programming, strong funding, and excellent equipment – and watched the share of viewing of all stations erode over the next five years (as the competition for eyeballs increased), while we routinely clocked staggering expenses and operating losses.

We operate as economically as we possibly can. We must, given that the upside projection for an affiliation like ours is limited to a high single or low double-digit share of the market revenues in markets where the entire "pie" is itself under assault. Thus we've adopted *internal* consolidation as a necessary survival strategy. We have centralized operations, shared executives across stations, and eliminated duplicate positions so successfully that when other companies have looked at us as a prospective acquisition, they have routinely remarked that there is no fat left to be trimmed.

We have won awards from our previous network, WB, for our performance and quality; we air a broad and diverse selection of locally-produced programs; we create unique public-service partnerships in our markets. At our Tucson station, for example, we "adopt" six non-profit, community-service organizations each year and give them an entire year of media support, exposure, production, etc., aimed at increasing their fund-raising and public profile. The program has been extremely successful in helping to increase both awareness and donations for the participating organizations. We've increased overall giving, according to the beneficiary organizations, by over a million dollars in the past few years.

Yet, due to our size, we realize so few economies of scale that we are at a competitive disadvantage when seeking affiliation with the most successful television networks, the best syndicated programming, employees, and even health care. There has never been any realistic chance for us to become affiliated with ABC, CBS, Fox or NBC Universal, which command the lion shares of audience and revenues in all television markets, and small operators like us either overpay or stand last in line for the best programs, as larger groups make favorable multi-station deals that ensure that they can afford the best content. Even the cost of technical innovation is higher for us, without a broad platform of stations across which to spread the expense. To add further to our challenges, syndication companies are marketing to cable networks, satellite services and even broadband networks the same product that used to be available exclusively via over-the-air broadcasts, thus lessening the value of the product we offer.

I refute the idea that economic necessity has made us more inventive than we might otherwise be if we owned a large market station. In fact, we have many initiatives that we simply cannot risk economically. The current regulatory and economic landscape for broadcasters forces us to nibble away constantly at expenses, thereby reducing our appetite or budget for risk. Even the big companies (*e.g.*, NBC Universal) have reacted to the new realities with brutal job cuts. There are fewer jobs in television now than there were five years ago, and it is not considered a growth industry.

Daily we see articles about the advantages of consolidation in peripheral industries. Yet YouTube was only worth the price it commanded because Google has the platform and depth to potentially grow the business. News Corporation set the value of MySpace with the acquisition. These consolidated businesses will wield enormous influence in the broadcasting models of the future, but they are as yet exempt from many of the regulatory restrictions under which we labor.

While new business models for the distribution of content continue to grow, the economics are, at the same time, creating a second class of television owners and operators. The "public interest" argument that singleton or small group owners significantly contribute to diversity and competition is largely a fiction. We lack economic parity and opportunity, and face significant challenges to our very survival. The definition of our group as small businesses should perhaps be changed to endangered businesses – and we will become increasingly endangered if there is no regulatory relief.

Therefore, Cascade urges the Commission to relax its local television ownership restrictions in midsize and smaller markets to permit stations in these markets to combine to take advantage of the cost savings and economies of scale associated with combined operations. In larger markets, even a small market share can translate into substantial revenues. By contrast, in smaller markets, stations must achieve larger market shares to generate the revenues necessary for survival. As broadcast television viewership has continued to erode, garnering the necessary revenues has become increasingly difficult for all broadcasters, and even more so for newer, secondary network affiliated UHF stations like ours.

Cascade's sale of KQCW(TV) in 2005, which created a duopoly in the Tulsa market, provides an example of the benefits of combined operations. While the sale did result in a reduction in the number of separately owned terrestrial television stations in that market, KQCW(TV) is prospering in many ways, and the public has been the beneficiary. Moreover, all the station's employees retained their jobs, and the station remains on the air, providing viewers in the Tulsa market with more and better news, sports, and local informational programming than Cascade could have hoped to produce and sustain. Who is the loser in that scenario? No one.

What is so frustrating for the smaller and midsize market television broadcaster is how myopic the Commission appears to be on this local TV duopoly issue. On the one hand, the FCC recognizes that each cable system operator in a television market has the power to control literally hundreds of cable channels for delivery to the very same audience targeted by the local television station operator and that a single satellite television operator has the identical multi-channel power over its subscriber base in the same television market. The Commission also recognizes that the cable industry, with AT&T and Verizon joining ranks at a very fast pace, is now offering broadband into the home, thereby providing the "television audience" with truly limitless choice, choice selected no longer by the distributor but by the audience on demand. We are moving quickly from a "source diversity" paradigm to an "on demand diversity" paradigm. All of this is having a profound effect on the ability of the terrestrial broadcaster to attract enough "eyeballs" on a steady basis just to stay alive and on the air.

Ironically, virtual or digital "duopolies," in which an existing station acquires a second affiliation for its secondary digital channel, have sprung up recently in markets in which duopolies are not currently permissible without provoking any comment or concern. Presumably, the rationale for why these arrangements are permissible is that providing that network programming to viewers, when there is not another over-the-air broadcast station with which the network can affiliate, trumps other considerations, including source diversity.

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Notwithstanding this life and death challenge for the smaller and midsize market television broadcaster, the Commission continues to stand logic and rationality on its head by denying smaller and midsize market television stations the right to double up. The clarion call of those who espouse "source diversity" above all things will lead to fewer over-the-air television stations in small and midsize markets and the trampling of the hopes and investments of hundreds of current and future small and midsize market television broadcasters. Those on the Commission who use "source diversity" as the sword to increase ownership opportunities for newcomers to broadcasting will find that that sword has killed the chances of existing operators and all those who hoped to follow.

The small market television broadcaster needs help now. There is no time to waste.

Sincerely,

Carol LaFever
Chief Executive Officer